



Keeping transit moving safely and conveniently through ongoing operating support

Pre-budget submission for Budget 2021-22

Canadian Urban Transit Association

February 2021



Recommendations:

1. Ongoing operating support until ridership recovers

- *The federal government should partner with provinces to provide ongoing operating support so public transit can serve the millions of Canadians who rely on it every day.*

2. Implement a Permanent Transit Fund

- *Creating a Permanent Transit Fund is a historic opportunity to create a permanent pipeline of public transit projects with guaranteed funding with which systems can build expansion and ridership growth plans, assuming public transit emerges from the pandemic intact thanks to ongoing operating support.*

About CUTA

The Canadian Urban Transit Association (cutaactu.ca) represents the vast majority of transit systems in Canada – which provide approximately 2.2 billion trips per year. Our members collectively comprise 98% of transit ridership. We also represent private transport operators, transit manufacturers, and suppliers.

Recommendation 1: Ongoing operating support through the pandemic

Ongoing operating support by the federal and provincial governments is essential to equity, the environment, and efficient cities. Extending the support contained in the Safe Restart Agreement is the absolute priority of transit systems, and is imperative to allowing improvements to capital programs to be realized.

Covid has turned public transit's economics on their head. Before the pandemic, about 52% of transit's operating costs were covered by the farebox. Covid has caused ridership to fall to about 40% of pre-Covid levels. Without ongoing operating support to fill this gap, service reductions are inevitable—with significant equity implications. Governments recognized transit's essential role by including it in the Safe Restart Agreement, yet these funds will soon expire. CUTA urges this support be extended until such time as ridership returns to pre-pandemic levels.

Every day, about 2.5 million Canadians rely on public transit and transit systems have maintained service at about 87% of pre-Covid levels to ensure convenient and safe service. For many workers and students who live too far from work or school to walk or cycle, but whose income is too low to drive, public transit is their only mobility option. Many seniors and people living with disabilities rely on it for the essentials of daily life. Without ongoing operating support, service reductions are inevitable. These will disproportionately affect lower-income workers, who are more likely to be women and people of colour, who will face long waits for vehicles and more crowded rides when what vehicles do remain in service arrive.

This in turn will push more people away from transit, leading to more service reductions, and lower revenue. Public transit risks entering a possibly permanent downward spiral that will make achieving climate goals harder, and which will make our cities more congested. Statistics Canada reports that nearly 75% of people who left public transit for a different mode during the spring and summer of 2020 switched to private cars.

The pandemic has triggered a broad demand shock to sectors that sell products or services where it is difficult to physically distance, and nowhere is this truer than public transit. Unlike similar sectors, however, public transit is ineligible for 'automatic stabilizer' programs like wage subsidies the private sector can access. Public transit is unique. Unlike other sectors, we cannot reduce expenditures without inflicting significant harm to millions of people—and expose them to unsafe crowding on board.

The federal government has recognized the challenges facing the transit industry as part of the larger pattern of our uneven economic recovery in the 2020 Fall Economic statementⁱ, and indicates that fiscal support delivered to date is aimed at preventing permanent 'economic scarring'.

Without ongoing operating support, the progress we've made growing ridership and getting Canadians to choose sustainable mobility is in danger of being wiped out. It took us a decade to grow ridership by 22%—yet over a single year we have taken a blow nearly three times that size. The federal government is uniquely positioned to help us continue transporting the 2.5 million Canadians who rely on us every day – and ensure we will be there to support a green recovery when the pandemic ends.

Canadians agree: operating funding for transit should continue

According to a recent poll commissioned by CUTA and conducted by Pollaraⁱⁱ;

- 82% of Canadians want governments to continue to support public transit's operating costs.
- The most important reason, with 73% agreement, was the need for workers who have no other option to get to work.

Recommendation 2: Implement a Permanent Transit Fund

In normal times, CUTA's focus with the federal government would be capital investments, and the creation of a Permanent Transit Fund, for which CUTA advocated, would be reason to celebrate. But these are not normal times and unless improvements to capital investments are accompanied by ongoing operating support, their benefits are unlikely to be realized.

Moving to a permanent transit fund (PTF) is a historic opportunity to create a permanent pipeline of public transit projects, providing guaranteed funding with which systems can build expansion and ridership growth plans. By eliminating sunset dates on public transit infrastructure funding, we can eliminate the growing pains and industrial bottlenecks that come with short-term infrastructure programs. Canada will be able to deliver sustainable mobility options that foster the growth of a low-carbon economy.

While the Investing in Canada Infrastructure Program (ICIP) was a transformative advance from previous infrastructure plans, there are several long-standing issues with the public transit stream (PTS) which deserve correcting. CUTA believes moving to a permanent transit fund is an opportunity to correct these flaws, and to make one as effective as possible, recommends key features of the successful Gas Tax Fund (GTF) be incorporated. Specifically, we believe it should:

- Be funded to \$3 billion a year
- Empower municipalities in project selection by adopting a tri-lateral agreement governance framework, similar to the Gas Tax Fund.ⁱⁱⁱ
- Provide permanent spending authorization of funds in legislation with an annual escalator.
- Allow biannual payments to be delivered before eligible expenses are occurred, followed by reporting requirements.
- Help create transit systems in smaller municipalities currently without service.

Many provinces have hundreds of millions of dollars worth of unused Public Transit Stream allocations waiting to be matched with projects, while municipalities continue have funding requests go unheard. As a result, over the last five years, Infrastructure Canada has been unable to spend on average 25.8% of its budget. In recognition of this problem, the federal government has committed to top-up the GTF with unspent ICIP funds in 2021 if they are unmatched to projects. But this re-allocation risks exacerbating regional transit inequalities as systems already starved for investment by their provincial government will also lose their federal share. It also risks moving dollars away from public transit for use in other infrastructure classes.

We believe that these reforms will alleviate project approval and funding disputes occurring at the federal and provincial levels by bringing the communities affected and the ultimate recipients to the table, eliminate the problem of cashflow delays and funding lapses, ensure dollars that have been allocated to transit stay allocated to transit, and most importantly, stimulate the economy by getting dollars out the door and shovels in the ground quicker.

Finally, a rural and intercity transit funding component should be added to the program to help communities start-up new transit systems in under-served areas and become eligible for capital allocations, rather than having a funding program designed to only serve existing systems. As the federal government recognizes that the Permanent Transit Fund is a key piece of Canada's plan to combat climate change, we believe that all Canadians should have a sustainable mobility option in their community, and this can maximize the behavioural response to a rising carbon price.

Canadians agree: Investing in public transit fosters a green economic recovery

According to a recent poll commissioned by CUTA and conducted by Pollara;

- 88% of Canadians want public transit supported now so it's there when the economy returns to normal.
- 78% of Canadians think the federal government should prioritize investments like public transit to make the economic recovery more environmentally friendly.

ⁱ GC (2020) Fall Economic Statement, 2.3.4, *Different Sectors Have Felt Different Impacts* <https://budget.gc.ca/fes-eea/2020/report-rapport/chap2-en.html#23-A-Partial-and-Uneven-Rebound>

ⁱⁱ The poll was in the field from December 11-14, with a sample size of 2,579 people. A sample of this size carries a margin of error of +/- 1.9%, 19 times out of 20, with higher margins of error in regional samples. Full details can be found here: https://cutaactu.ca/wp-content/uploads/2021/01/1_attitudes_on_sustaining_public_transit_service_in_canada.pdf

ⁱⁱⁱ Bradford (2020) *Policy in Place: Revisiting Canada's Tri-Level Agreements*, Institute for Municipal Finance and Governance (IMFG), Munk School of Global Affairs and Public Policy. https://tspace.library.utoronto.ca/bitstream/1807/102474/1/imfgpaper_50_neilbradford_policyinplace_oct21_2020.pdf